

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 PA-04 PRS-01 USIA-15 DRC-01

/071 W

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R 052322Z APR 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 0623

INFO AMCONSUL GUAYAQUIL

LIMITED OFFICIAL USE QUITO 2294

E.O. 11652: N/A

TAGS: ECON, ELAB, EC

SUBJECT: LABOR MINISTER SPEAKS FRANKLY ABOUT RECENT WAGE INCREASE

REF: A) QUITO 2255; B) QUITO 2052

1. FOLLOWING MEETING WITH LABOR UNION LEADERS, MINISTER OF LABOR RAMIRO LARREA HELD PRESS CONFERENCE APRIL 4 TO DISCUSS WAGE POLICY. AS IN PREVIOUS STATEMENTS, LARREA WAS CANDID ON THE REASONING BEHIND RECENT 250 SUCRE WAGE INCREASE. THE INCREASE, HE SAID, WAS GIVEN AS COMPENSATION FOR THE HIGHER OFFICIAL PRICES OF BASIC FOODSTUFFS DECREED AT THE SAME TIME. THE INCREASE WAS AN INITIAL STEP, LARREA STATED, BUT HE EMPHASIZED THAT AN ACROSS THE BOARD INCREASE OF WAGES AND SALARIES WOULD BE COUNTERPRODUCTIVE. IT COULD LEAD TO AN INFLATIONARY SPIRAL HARMFUL TO THE GENERAL ECONOMY AND RESULT IN THE FAILURE OF MANY SMALL BUSINESS FIRMS, THEREBY CLEARING THE WAY FOR MONOPOLY BY LARGE FIRMS.

2. LARREA'S EXPLANATION OF THE WAGE INCREASE IS CONFIRMED BY A WELL PLACED SOURCE IN THE MINISTRY OF FINANCE. ESSENTIALLY, THE GOE ARRIVED AT THE FIGURE OF 250 SUCRES PER MONTH BY COMPUTING THE AVERAGE COST TO LOW INCOME CONSUMERS OF THE GOVERNMENT DECREED INCREASES IN CONTROLLED FOOD PRICES. THE LIMITED OFFICIAL USE

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WAGE INCREASE WAS IN NO WAY INTENDED TO ALLOW CONSUMERS TO

RECOUP RAL INCOME LOSSES SUFFERED FROM PAST INFLATION.  
RATHER, IT IS A DEVICE FOR TRANSFERRING RESOURCES TO THE AGRI-  
CULTURAL SECTOR THROUGH THE MARKET MECHANISM.

3. REGARDING FUTURE WAGE INCREASES, LARREA STATED THAT IMPE-  
MENTING REGULATIONS FOR THE NATIONAL SALARY COUNCIL HAVE BEEN  
PREPARED AND ARE READY FOR REVIEW AND COMMENT BY THE TRADE  
UNION CONFEDERATIONS. HE HOPED THAT THE COUNCIL AND THE  
SECTORAL COMMITTEES CHARGED WITH STUDYING THE ADVISABILITY OF  
RAISING PRIVATE SECTOR WAGES BY DECREE COULD BE FUNCTIONING  
IN A WEEK'S TIME.

4. COMMENT: IN CONVERSATION WITH EMBOFFS, LARREA GAVE IM-  
PRESSION OF STRONG PERSONAL COMMITMENT TO A POLICY OF WAGE  
AND SALARY INCREASES COMPENSATING FOR INFLATION. EMBASSY  
BELIEVES THAT OPINION IS STRONGLY DIVIDED IN THE GOE ON THIS  
POINT. WE WILL BE FOLLOWING ISSUE WITH INTEREST.  
BREWSTER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** WAGE RATES, SPEAKERS, PRESS CONFERENCES, MEETINGS, LABOR UNION OFFICIALS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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